GreenStone Farm Credit Services, ACA

Quarterly Report
June 30, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following commentary reviews the consolidated financial condition and consolidated results of operations of GreenStone Farm Credit Services, ACA and its subsidiaries, GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. This discussion should be read in conjunction with both the unaudited consolidated financial information and related notes included in this Quarterly Report as well as Management's Discussion and Analysis included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Due to the nature of our financial relationship with AgriBank, FCB (AgriBank), the financial condition and results of operations of AgriBank materially impact our members' investment. To request free copies of AgriBank financial reports or additional copies of our report, contact us at:

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FORWARD-LOOKING INFORMATION

Any forward-looking statements in this Quarterly Report are based on current expectations and are subject to uncertainty and changes in circumstances. Actual results may differ materially from expectations due to a number of risks and uncertainties. More information about these risks and uncertainties is contained in our 2019 Annual Report. We undertake no duty to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

AGRICULTURAL AND ECONOMIC CONDITIONS

The COVID-19 pandemic and the resulting government mandated stay-at-home restrictions and social distancing policies severely impacted global economic and financial markets. The swift pace of the decrease in demand and historic levels of job losses pushed both the U.S. and global economies into a likely recession over the course of just a few weeks. However, overall economic activity appears to have bottomed in April as the majority of governments have begun phased reopening and optimism for a recovery has returned to the majority of market participants.

After spiking to 14.7% in April, the U.S. unemployment rate declined to 13.3% in May and 11.1% in June. Michigan has been hit particularly hard from a labor perspective, with the state's unemployment rate spiking to 22.7% in April and reporting 14.8% in June. Wisconsin has fared slightly better than Michigan with an unemployment rate in April of 14.1% and 8.5% in June. There is still some disagreement among economists as to how fast the labor market will tighten now that many COVID-19 related restrictions are being eased, however early indications are that while overall economic demand has improved dramatically, it still remains well below pre-COVID-19 levels. The pandemic has created significant changes to consumer spending habits and many consumers are indicating that they are still not comfortable engaging in activities such as eating at restaurants or patronizing movie theaters even in states that have already fully reopened. While some service sector establishments can reopen while limiting capacity to 50% in an effort to keep patrons a safe distance apart, these restrictions will further compress margins in an industry that already operates at relatively tight margins.

One bright spot in the economy is the housing market, which has remained strong despite all of the COVID-19 related uncertainty. Existing home prices continue to exhibit strong growth (continuing a trend that has been underway for several years) in light of record low mortgage rates, relatively low levels of single-family housing inventory, and a shift from urban living to suburban living by many millennials that are now beginning to form households and purchase homes. Existing home sales jumped 20.7% and new home sales rose 13.8% during June.

The COVID-19 related plant closures in the meat processing segment has caused concern that this will lead to a supply shortage for meat products. Pork and beef packers have been particularly affected, as JBS, Cargill and Tyson all experienced temporary shutdowns at some of their processing facilities in the second quarter of 2020 following high numbers of reported incidences of COVID-19 among the workforce. The situation appears to be stabilizing, with many plants reopening in late May after testing and properly quarantining affected employees. The reopening of these plants should alleviate some uncertainty around whether there will be sufficient slaughter capacity to handle all of the market-ready animals currently in production. During the first week of June, slaughter rates for cattle were 96% and hogs were 90% compared to the levels from a year ago. This represents a significant improvement, as slaughter capacity was briefly down by as much as 25%-30% during the peak. Risk still remains in the meat processing sector, particularly if new outbreaks of COVID-19 lead to more plant closures going forward.

Most commodities were negatively impacted by the COVID-19 related shutdowns of the economy, as evidenced by volatility in futures prices over the last several months. Grain, dairy, lumber and fuel (including ethanol) all saw significant price declines in late March and April due to demand uncertainty during the peak of the lockdowns. That being said, many of these commodities began to rebound off of their lows in May and June as the economy began to reopen and demand for commodity products returned. The dairy industry has been particularly volatile, with milk futures briefly falling to multi-decade lows in late April as a result of, among other things, supply chain disruptions and diminished demand from the K-12 school system. Milk futures rebounded from the lows as a result of continued strong demand for fluid milk through the retail channel as 2020 average Class III milk futures support an average price of $17.97.

Trade continues to be a hot-button issue, particularly for agriculture. Earlier this year there was much optimism on the trade front after the U.S. and China signed a new Phase I trade deal in January that promised to substantially increase U.S. agricultural shipments to China. Thus far in 2020, U.S. agriculture has seen mixed results on exports, with some commodities seeing record high shipments (pork) and others seeing record low shipments (soybeans). In the first three months of 2020, U.S. pork industry exports to China increased 300% compared to the same period in 2019. This dramatic increase in pork exports to China is directly related to the country's 2018 and 2019 outbreak of African Swine Fever, which curbed Chinese pork production by at least a third, thereby forcing reliance on pork imports to a greater extent than has historically been the case. While record pork exports to China is certainly a positive development, it should be noted that U.S. pork shipments were cancelled in early June after the U.S. publicly rebuked China's handling of protests in Hong Kong. This re-escalation of trade tensions revives fear that the increased agricultural export targets laid out in the Phase I trade deal between the two countries may not come to fruition. The U.S. dollar weakened during the second quarter of 2020 relative to most other currencies, which should provide some tailwinds for U.S. exports.

Row crop production reports show 83% of Michigan corn was reported as planted at the end of May. This represents a significant improvement compared to last year, when only 39% of corn was planted at the end of May and is also above the 5-year average of 77% planted at the end of May. Likewise, 76% of Michigan soybeans were planted at the end of May, which is above the 5-year average of 62% by the end of May. Wisconsin's planting progress has followed the same trend in 2020. At the end of May, corn planting was 94% complete, compared to just 55% a year ago, and soybean planting was 88% complete, a significant improvement from the 30% planted at the same time last year. As of May 31st, 74% of respondents across the major corn producing states indicated that the corn crop condition was "Good" or "Excellent". Similar trends hold true for soybeans, with 70% of respondents classifying the current crop conditions as "Good" or "Excellent".

In summary, forecasting economic activity and financial markets performance for the remainder of 2020 remains difficult. While the majority of financial and commodity markets appear to have begun a recovery from their lows reached earlier this year, the resurgence of the pandemic could quickly erase these gains. Geo-political instability continues to provide uncertainty on the trade front, particularly to the Phase I deal with China. Ag producers and business leaders will need to remain agile as economic conditions are likely to remain fluid throughout the remainder of the year.

LOAN PORTFOLIO

Loan Portfolio

Owned loan volume totaled $10.1 billion at June 30, 2020, a $716.4 million increase from December 31, 2019.

Total owned and managed loan volume, including serviced volume on the real estate loans sold to AgriBank, was $10.2 billion at June 30, 2020, a $702.4 million increase from December 31, 2019. Our combined mortgage portfolio increased $521.6 million, or 7.2% from December 31, 2019, while our short-term commercial loan portfolio increased $180.8 million, or 7.9% from December 31, 2019. When compared to June 30, 2019, owned and managed mortgage volume is up 13.1% and commercial loan volume is up 14.7%. These increases were driven by growth in all market segments and led by our capital markets and country living segments that have increased 30.0% and 13.7% since June 30, 2019, respectively. Our current volume reflects an asset growth rate year over year that is running above our 2020 Business Plan.

The U.S. government has instituted various programs in support of the COVID-19 economic recovery. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President. Among other provisions, the CARES Act and congressional approval made available for small businesses $660.0 billion under the Payroll Protection Plan (PPP), which is a guaranteed loan program administered by the U.S. Small Business Administration (SBA). Loan applicants with 500 or fewer employees or who fit within the revenue-based size standard and who are eligible to receive financing under the Farm Credit Act and the Farm Credit Administration (FCA) Regulations are able to borrow from our association under this program. The PPP loans provide for loan forgiveness if all employee retention criteria are met, and the funds are used for eligible expenses. PPP loan payments can be deferred up to six months. As of June 30, 2020, we have processed $143.4 million in PPP loans for customers with primarily production and intermediate-term type loans. To date, no loans have been forgiven and nearly all payments have been deferred. However, a significant portion of the PPP loans will be forgiven prior to December 31, 2020.

Portfolio Credit Quality

The credit quality of our loan portfolio slightly declined during the first six months of 2020. Acceptable loan credit quality, as measured under the Uniform Classification System, was 90.7%, which decreased from 91.4% at December 31, 2019. Year over year, acceptable credit quality decreased 0.9% from 91.6% at June 30, 2019. Portfolio assets criticized as being less than acceptable was comprised of 5.9% other assets especially mentioned (OAEM) and 3.4% adversely classified. OAEM increased 0.8% while adversely classified remained relatively flat from December 31, 2019.

Adversely classified loans are identified as having material credit weaknesses which, if left uncorrected, result in a greater than normal risk. Portfolio credit quality is considered when assessing the reasonableness of our allowance for loan losses. Weaker borrowers in our dairy, cash crop, and hog portfolios continued to be challenged financially during the first six months of 2020.

The resulting level of credit quality, when combined with our earnings and addition to capital surplus, resulted in an adverse assets to total regulatory capital ratio of 20.1%, which was unchanged from December 31, 2019.

In certain circumstances, U.S. government agency guarantee programs are used to reduce the risk of loss. At June 30, 2020, $516.2 million of our loans were, to some level, guaranteed under these programs. The guaranteed loan volume increased from $355.5 million at December 31, 2019, due primarily to the PPP loans recorded in the second quarter of 2020.

While overall credit quality remains solid, the impact of the global pandemic disruption to many agriculture industries and commodity prices may result in increases to adverse credit quality.

Risk Assets

Components of Risk Assets

(dollars in thousands) As of:	**June 30, 2020**	December 31, 2019
Loans:		
Nonaccrual	**$63,967**	$72,961
Accruing restructured	**3,300**	3,364
Accruing loans 90 days or more past due	**--**	--
Total risk loans	**67,267**	76,325
Acquired property	**1,552**	1,577
Total risk assets	**$68,819**	$77,902
Total risk loans as a percentage of total loans	**0.7%**	0.8%
Nonaccrual loans as a percentage of total loans	**0.6%**	0.8%
Current nonaccrual loans as a percentage of total nonaccrual loans	**59.5%**	53.5%
Total delinquencies as a percentage of total loans	**0.5%**	0.5%

Note: Accruing loans include accrued interest receivable.

Our risk assets have decreased from December 31, 2019, and have remained at acceptable levels. Total risk loans as a percentage of total loans were well within our established risk management guidelines.

Nonaccrual loans decreased from $73.0 million at December 31, 2019, to $64.0 million at June 30, 2020. The decrease in nonaccrual loan volume was primarily due to a charge-off recorded in the second quarter of 2020 on a large commercial dairy relationship along with seasonal activity of a commercial greenhouse. As of June 30, 2020, 43.5% of the nonaccrual loan portfolio was comprised of dairy loans, 17.1% crop farm loans, 12.8% food processing cooperative loans, and 11.0% fruit farm loans.

We are working individually with customers experiencing economic hardships. From weather and economic challenges over the last several years, to more recent stress generated by market pressures and uncertainties resulting from the COVID-19 pandemic, we are proactively providing assistance by working with customers to develop individualized financial solutions.

Allowance for Loan Losses

The allowance for loan losses is an estimate of losses on loans inherent in our portfolio as of the financial statement date. We determine the appropriate level of allowance for loan losses based on periodic evaluation of factors such as loan loss history, estimated probability of default, estimated loss severity, portfolio quality, and current economic and environmental conditions.

Allowance Coverage Ratios

As of:	**June 30, 2020**	December 31, 2019
Allowance as a percentage of:		
Loans	**0.8%**	1.0%
Nonaccrual loans	**133.2%**	130.8%
Total risk loans	**126.7%**	125.1%

The allowance for loan losses decreased $10.2 million from December 31, 2019, to $85.2 million at June 30, 2020. During the first six months of 2020, a reversal of provision for loan losses of $5.7 million was recorded. Included in our allowance is additional general industry reserves for our dairy and cash grain portfolios due to expected low commodity prices in the near future along with uncertainties surrounding the COVID-19 pandemic. The additional general industry reserve for the dairy portfolio decreased from $39.3 million at December 31, 2019, to $39.2 million at June 30, 2020. The additional general industry reserve for the cash grain portfolio increased from $12.4 million at December 31, 2019, to $12.5 million at June 30, 2020.

Under certain circumstances, credit losses may be recorded to establish a reserve on unfunded loan commitments. The “(Reversal of) provision for credit losses” in the Consolidated Statements of Comprehensive Income for the six months ended June 30, 2020, included a provision for credit losses on unfunded loan commitments of $2.0 million. The accrued credit losses are recorded in “Other liabilities” in the Consolidated Statements of Condition. The accrued credit losses related to unfunded loan commitments were $7.4 million and $5.4 million as of June 30, 2020, and December 31, 2019, respectively.

In our opinion, the allowance for loan losses was reasonable in relation to the risk in our loan portfolio at June 30, 2020.

RESULTS OF OPERATIONS

Profitability Information

(dollars in thousands) For the six months ended June 30,	**2020**	2019
Net income	**$127,605**	$99,450
Return on average assets	**2.5%**	2.2%
Return on average members' equity	**14.1%**	11.7%

Changes presented in the profitability information chart relate directly to:

- Changes in income discussed in this section
- Changes in assets discussed in the Loan Portfolio section
- Changes in capital discussed in the Funding, Liquidity, and Capital section

Changes in Significant Components of Net Income

(in thousands) For the six months ended June 30,	**2020**	2019	**Increase (decrease) in net income**
Net interest income	**$119,886**	$114,560	**$5,326**
(Reversal of) provision for credit losses	**(3,672)**	1,920	**5,592**
Patronage income	**27,215**	22,640	**4,575**
Financially related services income	**4,542**	3,913	**629**
Fee income	**21,926**	8,105	**13,821**
Allocated insurance reserve accounts distribution	**1,900**	1,997	**(97)**
Acquired property income, net	**375**	173	**202**
Other non-interest income	**954**	617	**337**
Non-interest expense	**(49,833)**	(48,125)	**(1,708)**
Provision for income taxes	**(3,032)**	(2,510)	**(522)**
Net income	**$127,605**	$99,450	**$28,155**

Net Interest Income

Changes in Net Interest Income

(in thousands) For the six months ended June 30,	**2020 vs 2019**
Changes in volume	**$13,161**
Changes in interest rates	**(7,961)**
Changes in nonaccrual income and other	**126**
Net change	**$5,326**

(Reversal of) Provision for Credit Losses

The change in the (reversal of) provision for credit losses was primarily due to the payoff of a substandard dairy processor relationship in the second quarter of 2020.

Non-Interest Income

The change in non-interest income was primarily due to patronage income and fee income.

Patronage Income: We may receive patronage from AgriBank and other Farm Credit Institutions. Patronage distributions from AgriBank and other Farm Credit Institutions are declared solely at the discretion of each institution's Board of Directors.

Patronage Income

(in thousands)

For the six months ended June 30,	**2020**	2019
Wholesale patronage	**$22,187**	$17,922
Pool program patronage	**3,464**	3,160
AgDirect partnership distribution	**1,462**	1,495
Other Farm Credit Institution patronage	**102**	63
Total patronage income	**$27,215**	$22,640
Form of patronage distributions:		
Cash	**$27,215**	$11,437
Stock	**--**	11,203
Total patronage income	**$27,215**	$22,640

The increase in patronage income was primarily due to an increase in wholesale patronage, which is primarily due to an increase in the average daily balance on our note payable to AgriBank for the first six months of 2020 compared to the same period of 2019.

Fee Income: The increase in fee income was primarily due to an increase in loan conversion fees, along with fees for originating PPP loans guaranteed by the SBA. Loan conversion fees were $9.5 million for the first half of 2020 compared to $250 thousand for the first half of 2019. The increased loan conversion opportunities were the result of the lower interest rate environment. We also generated $5.4 million in fee income from the SBA for PPP loans originated during the second quarter of 2020.

Non-Interest Expense

The change in non-interest expense was primarily related to an increase in salaries and employee benefits.

FUNDING, LIQUIDITY, AND CAPITAL

We borrow from AgriBank, under a note payable, in the form of a line of credit. Our note payable is scheduled to mature on December 31, 2021, at which time the note will be renegotiated. The repricing attributes of our line of credit generally correspond to the repricing attributes of our loan portfolio, which significantly reduces our market interest rate risk. Due to the cooperative structure of the Farm Credit System and as we are a stockholder of AgriBank, we expect this borrowing relationship to continue into the foreseeable future. Our other source of lendable funds is from equity.

The components of cost of funds associated with our note payable include:

- A marginal cost of debt component
- A spread component, which includes cost of servicing, cost of liquidity, and bank profit
- A risk premium component, if applicable

We were not subject to a risk premium at June 30, 2020, or December 31, 2019.

Market volatility increased due to the COVID-19 pandemic and certain adjustments to the costs of our funding of longer-term loans were impacted. This volatility and higher cost of funding has neither significantly impacted our business operations nor materially impacted our Consolidated Financial Statements.

Total members' equity increased $78.2 million from December 31, 2019, primarily due to net income for the period partially offset by patronage distribution accruals**.** The change in accumulated other comprehensive loss is the amortization impact of prior service cost and unamortized gain/loss related to the Pension Restoration Plan. Refer to Note 10 in our 2019 Annual Report for more information on the Pension Restoration Plan.

FCA Regulations require us to maintain minimums for our common equity tier 1, tier 1 capital, total regulatory capital, and permanent capital risk-based capital ratios. In addition, the FCA requires us to maintain minimums for our non-risk-adjusted ratios of tier 1 leverage and unallocated retained earnings and equivalents leverage. Refer to Note 8 in our 2019 Annual Report for a more complete description of these ratios.

Regulatory Capital Requirements and Ratios

As of:	**June 30, 2020**	December 31, 2019	Regulatory Minimums	Capital Conservation Buffer	Total
Risk-adjusted:					
Common equity tier 1 ratio	**15.4%**	16.7%	4.5%	2.5%	7.0%
Tier 1 capital ratio	**15.4%**	16.7%	6.0%	2.5%	8.5%
Total regulatory capital ratio	**16.4%**	17.6%	8.0%	2.5%	10.5%
Permanent capital ratio	**15.6%**	16.9%	7.0%	N/A	7.0%
Non-risk-adjusted:					
Tier 1 leverage ratio	**16.1%**	17.7%	4.0%	1.0%	5.0%
Unallocated retained earnings and equivalents leverage ratio	**17.2%**	18.8%	1.5%	N/A	1.5%

Capital ratios are directly impacted by the changes in capital, as more fully explained in this section, the changes in assets, as discussed in the Loan Portfolio section, and off-balance sheet commitments.

OTHER MATTERS

Relationships with Other Farm Credit Institutions

SunStream Business Services: SunStream Business Services (SunStream) was previously a division of AgriBank. Effective April 1, 2020, SunStream is a System service corporation and we are a partial owner and continue to purchase services from SunStream. We purchase various services from SunStream, which include financial and retail systems, tax reporting services, technology services, and insurance services. Our entire investment in SunStream was called on April 1, 2020, at which time $1.0 million was paid in cash and the remainder is due in January 2021. As of June 30, 2020, our investment in SunStream was $1.9 million.

COVID-19 Pandemic

The spread of COVID-19 has created a global public-health crisis that has stifled the worldwide economy, decreased liquidity in fixed income and equity markets, significantly increased unemployment levels and disrupted global supply and demand chains. Unprecedented actions are being taken by governments, businesses, and individuals to slow or contain the spread of COVID-19, including quarantines, stay-at-home orders, school closings and travel bans that have substantially restricted daily activities and forced many businesses to curtail or cease operations. The impact of COVID-19 on companies is evolving rapidly and its future effects are uncertain.

The extent to which the COVID-19 pandemic impacts the Association will depend on future developments that are highly uncertain and cannot be predicted such as the duration, extent and severity of the pandemic, the continued response by the U.S. government and how quickly “normal” daily activities resume.

This outbreak puts the economy and agriculture sector in uncharted territory. The impact of COVID-19 on U.S. agriculture will depend on the severity and duration of the outbreak. Overall, agriculture will adjust, providing an “essential service” to the U.S. and global consumer.

All of our 36 office buildings were closed on March 23, 2020, in response to the COVID-19 pandemic to protect the health of our employees and customers. While our office buildings were closed, we continued to conduct business and efficiently serve customers by utilizing an array of technology tools. On June 29, 2020, we opened our office buildings with limited staff and established many additional safety precautions to protect the health of our employees and customers. We have made slight modifications to some of our operational processes to accommodate this different work environment. This did not have a material impact on our Consolidated Financial Statements.

CERTIFICATION

The undersigned have reviewed the June 30, 2020, Quarterly Report of GreenStone Farm Credit Services, ACA, which has been prepared under the oversight of the Audit Committee and in accordance with all applicable statutory or regulatory requirements. The information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Edward L. Reed
Chair of the Board
GreenStone Farm Credit Services, ACA

David B. Armstrong
Chief Executive Officer
GreenStone Farm Credit Services, ACA

Travis D. Jones
Executive Vice President – Chief Financial Officer
GreenStone Farm Credit Services, ACA

August 5, 2020

CONSOLIDATED STATEMENTS OF CONDITION

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

As of:	**June 30, 2020**	December 31, 2019
ASSETS		
Loans	**$10,114,534**	$9,398,125
Allowance for loan losses	**85,221**	95,454
Net loans	**10,029,313**	9,302,671
Investment in AgriBank, FCB	**245,402**	222,432
Investment securities	**6,551**	9,046
Accrued interest receivable	**65,698**	73,629
Premises and equipment, net	**48,551**	50,033
Deferred tax assets, net	**3,429**	4,419
Other assets	**72,740**	66,033
Total assets	**$10,471,684**	$9,728,263
LIABILITIES		
Note payable to AgriBank, FCB	**$8,473,383**	$7,748,606
Accrued interest payable	**40,305**	49,800
Patronage distribution payable	**50,000**	100,000
Other liabilities	**51,040**	51,145
Total liabilities	**8,614,728**	7,949,551
Contingencies and commitments (Note 4)		
MEMBERS' EQUITY		
Protected members' equity	**1**	1
Capital stock and participation certificates	**23,531**	23,019
Unallocated surplus	**1,835,558**	1,757,944
Accumulated other comprehensive loss	**(2,134)**	(2,252)
Total members' equity	**1,856,956**	1,778,712
Total liabilities and members' equity	**$10,471,684**	$9,728,263

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Three Months Ended		Six Months Ended	
For the period ended June 30,	**2020**	2019	**2020**	2019
Interest income	**$100,141**	$109,808	**$209,345**	$217,104
Interest expense	**40,305**	52,258	**89,459**	102,544
Net interest income	**59,836**	57,550	**119,886**	114,560
(Reversal of) provision for credit losses	**(2,851)**	165	**(3,672)**	1,920
Net interest income after (reversal of) provision for credit losses	**62,687**	57,385	**123,558**	112,640
Non-interest income				
Patronage income	**14,085**	13,939	**27,215**	22,640
Financially related services income	**2,062**	1,868	**4,542**	3,913
Fee income	**15,779**	4,673	**21,926**	8,105
Allocated Insurance Reserve Accounts distribution	**--**	--	**1,900**	1,997
Acquired property income, net	**334**	136	**375**	173
Other non-interest income	**248**	243	**954**	617
Total non-interest income	**32,508**	20,859	**56,912**	37,445
Non-interest expense				
Salaries and employee benefits	**17,774**	16,867	**35,339**	33,448
Other operating expense	**6,692**	7,493	**14,494**	14,677
Total non-interest expense	**24,466**	24,360	**49,833**	48,125
Income before income taxes	**70,729**	53,884	**130,637**	101,960
Provision for income taxes	**1,685**	1,712	**3,032**	2,510
Net income	**$69,044**	$52,172	**$127,605**	$99,450
Other comprehensive income				
Employee benefit plans activity	**$59**	$49	**$118**	$98
Total other comprehensive income	**59**	49	**118**	98
Comprehensive income	**$69,103**	$52,221	**$127,723**	$99,548

The accompanying notes are an integral part of these Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY

GreenStone Farm Credit Services, ACA
(in thousands)
(Unaudited)

	Protected Members' Equity	Capital Stock and Participation Certificates	Unallocated Surplus	Accumulated Other Comprehensive Loss	Total Members' Equity
Balance at December 31, 2018	$1	$22,400	$1,651,528	($1,852)	$1,672,077
Net income	--	--	99,450	--	99,450
Other comprehensive income	--	--	--	98	98
Unallocated surplus designated for patronage distributions	--	--	(40,688)	--	(40,688)
Cumulative effect of change in accounting principle	--	--	(6)	--	(6)
Capital stock and participation certificates issued	--	1,002	--	--	1,002
Capital stock and participation certificates retired	--	(734)	--	--	(734)
Balance at June 30, 2019	$1	$22,668	$1,710,284	($1,754)	$1,731,199
Balance at December 31, 2019	$1	$23,019	$1,757,944	($2,252)	$1,778,712
Net income	**--**	**--**	**127,605**	**--**	**127,605**
Other comprehensive income	**--**	**--**	**--**	**118**	**118**
Unallocated surplus designated for patronage distributions	**--**	**--**	**(49,991)**	**--**	**(49,991)**
Capital stock and participation certificates issued	**--**	**1,311**	**--**	**--**	**1,311**
Capital stock and participation certificates retired	**--**	**(799)**	**--**	**--**	**(799)**
Balance at June 30, 2020	**$1**	**$23,531**	**$1,835,558**	**($2,134)**	**$1,856,956**

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements contain all adjustments necessary for a fair presentation of the interim Consolidated Statements of Condition and Consolidated Statements of Comprehensive Income. Our accounting and reporting policies conform to accounting principles generally accepted in the United States of America (GAAP) and the prevailing practices within the financial services industry. This interim Quarterly Report is prepared based upon statutory and regulatory requirements and in accordance with GAAP. However, certain disclosures required by GAAP are omitted. The results of the six months ended June 30, 2020, are not necessarily indicative of the results to be expected for the year ending December 31, 2020. The interim financial statements and the related notes in this Quarterly Report should be read in conjunction with the Consolidated Financial Statements and related notes included in our Annual Report for the year ended December 31, 2019 (2019 Annual Report).

Certain amounts in prior periods' financial statements have been reclassified to conform to the current period's presentation.

The Consolidated Financial Statements present the consolidated financial results of GreenStone Farm Credit Services, ACA and its subsidiaries GreenStone Farm Credit Services, FLCA and GreenStone Farm Credit Services, PCA. All material intercompany transactions and balances have been eliminated in consolidation.

Recently Issued or Adopted Accounting Pronouncements

We have assessed the potential impact of accounting standards that have been issued by the Financial Accounting Standards Board (FASB) and have determined the following standards to be applicable to our business. While we are a nonpublic entity, our financial results are closely related to the performance of the combined Farm Credit System. Therefore, we typically adopt accounting pronouncements in alignment with other System institutions.

Standard and effective date	Description	Adoption status and financial statement impact
In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13 "Financial Instruments - Credit Losses." The guidance was originally effective for non-U.S. Securities Exchange Commission filers for our first quarter of 2021. In November 2019, the FASB issued ASU 2019-10 which amends the mandatory effective date for this guidance for certain institutions. We have determined we qualify for the deferral of the mandatory effective date. As a result of the change, the standard is effective for our first quarter of 2023 and early adoption is permitted.	The guidance replaces the current incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. Credit losses relating to available-for-sale securities would also be recorded through an allowance for credit losses.	We do not expect to early adopt the standard. We have reviewed the accounting standard, selected and substantially completed development and testing of our system, and are in the process of drafting disclosures. Significant implementation matters yet to be addressed include drafting of accounting policies and designing processes and controls. We are currently unable to estimate the impact on our financial statements.

NOTE 2: LOANS AND ALLOWANCE FOR LOAN LOSSES

Loans by Type

(dollars in thousands)

As of:	**June 30, 2020**		December 31, 2019	
	Amount	**Percentage**	Amount	Percentage
Real estate mortgage	**$5,900,161**	**58.3%**	$5,618,576	59.8%
Production and intermediate-term	**2,070,232**	**20.5**	1,989,227	21.2
Agribusiness	**1,534,322**	**15.2**	1,280,579	13.6
Other	**609,819**	**6.0**	509,743	5.4
Total	**$10,114,534**	**100.0%**	$9,398,125	100.0%

The other category is primarily composed of rural residential real estate and rural infrastructure related loans.

Delinquency

Aging Analysis of Loans

(in thousands) **As of June 30, 2020**	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	**$16,111**	**$17,621**	**$33,732**	**$5,909,078**	**$5,942,810**
Production and intermediate-term	**5,948**	**6,255**	**12,203**	**2,076,000**	**2,088,203**
Agribusiness	**207**	**--**	**207**	**1,537,839**	**1,538,046**
Other	**2,485**	**386**	**2,871**	**607,893**	**610,764**
Total	**$24,751**	**$24,262**	**$49,013**	**$10,130,810**	**$10,179,823**

As of December 31, 2019	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less than 30 Days Past Due	Total
Real estate mortgage	$12,770	$22,081	$34,851	$5,629,933	$5,664,784
Production and intermediate-term	5,348	9,262	14,610	1,996,624	2,011,234
Agribusiness	90	107	197	1,284,463	1,284,660
Other	2,269	50	2,319	508,339	510,658
Total	$20,477	$31,500	$51,977	$9,419,359	$9,471,336

Note: Accruing loans include accrued interest receivable.

There were no loans 90 days or more past due and still accruing interest at June 30, 2020, or December 31, 2019.

Risk Loans

Risk loans are loans for which it is probable that all principal and interest will not be collected according to the contractual terms.

Risk Loan Information

(in thousands) As of:	**June 30, 2020**	December 31, 2019
Volume with specific allowance	**$31,586**	$48,942
Volume without specific allowance	**35,681**	27,383
Total risk loans	**$67,267**	$76,325
Total specific allowance	**$11,400**	$20,584
For the six months ended June 30,	**2020**	2019
Income on accrual risk loans	**$74**	$109
Income on nonaccrual loans	**891**	923
Total income on risk loans	**$965**	$1,032
Average risk loans	**$77,418**	$93,454

Note: Accruing loans include accrued interest receivable.

We had $8.1 million of commitments to lend additional money to borrowers whose loans were classified as risk loans at June 30, 2020.

Troubled Debt Restructurings (TDRs)

In situations where, for economic or legal reasons related to the borrower’s financial difficulties, we grant a concession for other than an insignificant period of time to the borrower that we would not otherwise consider, the related loan is classified as a troubled debt restructuring, also known as a restructured loan. A concession is generally granted in order to minimize economic loss and avoid foreclosure. Concessions vary by program and borrower and may include interest rate reductions, term extensions, payment deferrals, or an acceptance of additional collateral in lieu of payments. In limited circumstances, principal may be forgiven. Loans classified as TDRs are considered risk loans. All risk loans are analyzed within our allowance for loan losses. We record a specific allowance to reduce the carrying amount of the restructured loan to the lower of book value or net realizable value of collateral.

TDR Activity

(in thousands) Six months ended June 30,	2020		2019	
	Pre-modification	**Post-modification**	Pre-modification	Post-modification
Real estate mortgage	**$ --**	**$ --**	$4,020	$4,020
Production and intermediate-term	**--**	**--**	3,557	3,557
Other	**--**	**--**	13	15
Total	**$ --**	**$ --**	$7,590	$7,592

Pre-modification represents the outstanding recorded investment of the loan just prior to restructuring and post-modification represents the outstanding recorded investment of the loan immediately following the restructuring. The recorded investment in the loan is the unpaid principal amount of the receivable increased or decreased by applicable accrued interest and unamortized premium, discount, finance charges, and acquisition costs and may also reflect a previous direct charge-off of the investment.

There were no TDRs that defaulted during the six months ended June 30, 2020 or 2019 in which the modifications were within twelve months of the respective reporting period.

TDRs Outstanding

(in thousands) As of:	**June 30, 2020**	December 31, 2019
Accrual status:		
Real estate mortgage	**$2,675**	$2,726
Production and intermediate-term	**397**	405
Agribusiness	**--**	--
Other	**228**	233
Total TDRs in accrual status	**$3,300**	$3,364
Nonaccrual status:		
Real estate mortgage	**$4,250**	$4,369
Production and intermediate-term	**2,889**	3,349
Agribusiness	**8,488**	8,928
Other	**183**	199
Total TDRs in nonaccrual status	**$15,810**	$16,845
Total TDRs:		
Real estate mortgage	**$6,925**	$7,095
Production and intermediate-term	**3,286**	3,754
Agribusiness	**8,488**	8,928
Other	**411**	432
Total TDRs	**$19,110**	$20,209

Additional commitments to lend to borrowers whose loans have been modified in a TDR were $3.6 million at June 30, 2020.

Allowance for Loan Losses

Changes in Allowance for Loan Losses

(in thousands) Six months ended June 30,	**2020**	2019
Balance at beginning of period	**$95,454**	$84,064
(Reversal of) provision for loan losses	**(5,664)**	2,005
Loan recoveries	**123**	197
Loan charge-offs	**(4,692)**	(1,287)
Balance at end of period	**$85,221**	$84,979

The “(Reversal of) provision for credit losses” in the Consolidated Statements of Comprehensive Income includes a (reversal of) provision for loan losses as presented in the previous chart, as well as a provision for (reversal of) credit losses on unfunded commitments. The accrued credit losses on unfunded commitments are recorded in “Other liabilities” in the Consolidated Statements of Condition.

Credit Loss Information on Unfunded Commitments

(in thousands) For the six months ended June 30,	**2020**	2019
Provision for (reversal of) credit losses	**$1,992**	($85)
As of:	**June 30, 2020**	December 31, 2019
Accrued credit losses	**$7,440**	$5,448

NOTE 3: INVESTMENT SECURITIES

We held investment securities of $6.6 million at June 30, 2020, and $9.0 million at December 31, 2019. Our investment securities consisted of securities backed by pools of loans guaranteed by the Small Business Administration (SBA)**.**

The investment securities have been classified as held-to-maturity. The investment portfolio is evaluated for other-than-temporary impairment. No investments within the portfolio were impaired at June 30, 2020, or December 31, 2019.

Additional Investment Securities Information

(dollars in thousands) As of:	**June 30, 2020**	December 31, 2019
Amortized cost	**$6,551**	$9,046
Unrealized gains	**33**	82
Unrealized losses	**(65)**	(19)
Fair value	**$6,519**	$9,109
Weighted average yield	**3.8%**	5.1%

Investment income is recorded in "Interest income" in the Consolidated Statements of Comprehensive Income and totaled $152 thousand and $308 thousand for the six months ended June 30, 2020, and 2019, respectively.

NOTE 4: CONTINGENCIES AND COMMITMENTS

In the normal course of business, we have various contingent liabilities and commitments outstanding, primarily commitments to extend credit, which may not be reflected in the Consolidated Financial Statements. We do not anticipate any material losses because of these contingencies or commitments.

We may be named as a defendant in certain lawsuits or legal actions in the normal course of business. At the date of these Consolidated Financial Statements, our management team was not aware of any material actions. However, management cannot ensure that such actions or other contingencies will not arise in the future.

NOTE 5: FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or most advantageous market for the asset or liability. Accounting guidance also establishes a fair value hierarchy, with three input levels that may be used to measure fair value. Refer to Note 2 in our 2019 Annual Report for a more complete description of the three input levels.

We did not have any assets or liabilities measured at fair value on a recurring basis at June 30, 2020, or December 31, 2019.

Non-Recurring Basis

We may be required, from time to time, to measure certain assets at fair value on a non-recurring basis.

Assets Measured at Fair Value on a Non-recurring Basis

(in thousands) **As of June 30, 2020**	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	**$ --**	**$ --**	**$21,195**	**$21,195**
Acquired property	**--**	**--**	**5,036**	**5,036**

As of December 31, 2019	Fair Value Measurement Using			
	Level 1	Level 2	Level 3	Total Fair Value
Impaired loans	$ --	$ --	$29,776	$29,776
Acquired property	--	--	4,699	4,699

Valuation Techniques

Impaired loans: Represents the carrying amount of loans which were evaluated for individual impairment based on the appraised value of the underlying collateral. When the value of the collateral, less estimated costs to sell, is less than the principal balance of the loan, a specific reserve is established. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the collateral and other matters, they are classified as Level 3.

Acquired property: Represents the fair value of foreclosed assets measured based on the collateral value, which is generally determined using appraisals, or other indications based on sales of similar properties. Costs to sell represent transaction costs and are not included as a component of the asset's fair value. If the process uses observable market-based information, they are classified as Level 2. If the process requires significant input based on management's knowledge of and judgment about current market conditions, specific issues relating to the property and other matters, they are classified as Level 3.

NOTE 6: SUBSEQUENT EVENTS

We have evaluated subsequent events through August 5, 2020, which is the date the Consolidated Financial Statements were available to be issued. There have been no material subsequent events that would require recognition in our Quarterly Report or disclosure in the Notes to Consolidated Financial Statements.